



ALAN LeBOVIDGE  
CHAIRMAN

*The Commonwealth of Massachusetts*  
*Springfield Finance Control Board*  
436 Dwight St.  
Springfield, MA 01103

July 27, 2005

Eric Kriss, Secretary  
Executive Office of Administration and Finance  
State House, Room 373  
Boston, MA 02133

The Honorable Therese Murray, Chair  
Senate Committee on Ways and Means  
Commonwealth of Massachusetts  
State House, Room 212  
Boston, MA 02133

The Honorable Robert A. DeLeo, Chair  
House Committee on Ways and Means  
Commonwealth of Massachusetts  
State House, Room 243  
Boston, MA 02133

Dear Secretary Kriss, Chairperson Murray and Chairperson DeLeo:

This report is being submitted, pursuant to section 2 and 9 (a) of Chapter 169 of the Acts of 2004 (the Act), to update the legislature on the activities and expenses of the Springfield Finance Control Board since its last report dated April 15, 2005. This letter will highlight what has been accomplished over the past year with specific mention of 4<sup>th</sup> quarter activities.

The Finance Control Board's (the "Board") first meeting took place last August. What had been estimated in July 2004 to be a budget deficit of \$22 million for the fiscal year ending June 30, 2005 (FY05) was soon determined to be \$41 million. This \$41 million deficit was reduced to \$37 million in September 2004 because of additional state funding in the form of a \$4.1 million supplemental payment from the State lottery.

Since last August, the Board has taken significant steps to reduce the immediate cash or budget crunch for fiscal year 2005.

1. The employee wage freeze put in place by the City in FY 2003 and FY 2004 was continued into FY 2005.
2. Changes, described in detail in previous reports, were made to the health insurance plan of City employees. The three steps involved in the health insurance change were:
  - a) Changing from one plan administrator to two after a competitive procurement.
  - b) Adopting Medicare B and Section 18.
  - c) Modifying the City's employee health plans.

Specific modifications included adjusting co-pays for doctor's visits while increasing the co-insurance and deductibles to the plan. The employee contribution rate of 25% did not change. These two changes alone - the wage freeze and the health insurance changes - have added approximately \$16 - \$17 million in savings for fiscal years 2005 and 2006.

In addition to the above health care changes, a variety of steps have been taken to control day-to-day operating costs, ranging from reducing overtime budgets, and implementing a hiring freeze to reductions in office supply expenditures. The FY 2005 budget deficit is approximately \$21 million. While this is substantial progress, clearly more work needs to be, and can be, done. The FY 2006 provisional budget, **without the inclusion of any employee raises**, projects a deficit of approximately \$6.5 million. Reaching agreement on the outstanding collective bargaining agreements is a critical element in projecting and resolving the current budget crisis. We are actively engaged in negotiations with the City's twenty-nine (29) unions with the goal of resolving outstanding employee union contracts and working out long-term bargaining agreements that the City can fund and fulfill.

To ensure the long-term financial health of the City, the City has begun to improve the quality and style of management and to change the practice and operation of government; here are a few highlights. At the start of the fiscal year, the City had approximately thirty-one (31) different department heads - each reporting to the Mayor. There are now eleven (11) direct reporting heads and many of the agencies that share similar missions are now grouped under one division director. This allows for better coordination, planning, and allocation of the City's limited resources.

The recently completed study of the Police Department by Carroll Buracker and Associates addressed the long-term operations of the City's Police Department. Improved public safety is a critical element of Springfield's recovery. This study has become the blueprint for future public safety operations in the Police Department. Certain of the recommendations of Carroll Buracker and Associates will require changes in the Police Labor Contract. By civilianizing a number of positions, the Board would like to shift our highly trained police force back onto the streets, while lowering the long-term cost of operation for the City's Police Department. We are hopeful that the Police Union will step forward and agree to the adoption of these recommendations as current contract negotiations progress. These actions will have minimal direct effects in the 2006 budget, but will start to bear fruit in 2007 and 2008.

The Board is also underway in its review of the Fire Department, the Department of Public Works, and in the numerous departments that share in the parking operations in the City. The Board has recently initiated reviews of the Assessor's Department and the City Clerk's Office, and will soon release an RFP for assessments of the Purchasing Department and

Treasurer/Collector's Office. Finally, the Board is working with the newly appointed chief information officer for the City to overhaul of the City's computer technology and outdated management information systems, including the improvements currently underway for our employee benefit and payroll services.

All of these efforts are geared toward automating services, increasing efficiency, and producing a higher level of service to the taxpayer. Most importantly, over time, by investing in existing staff through training and advancement where we can, and by making other appropriate changes, we will lower the long-term cost of services in the City while improving the levels of service enjoyed by the community. All of these actions are expressed and initiated through the budget process.

Historically, the City has managed by line items and by incremental budgeting. This approach focuses only on inputs - on how much money is to be spent and how much this year's line items spending increased over last year's spending. With the FY 2006 budget adopted by the Board on June 29, 2005, the City has begun to focus on results, not inputs. It is our expectation that the process will take two to three years to fully implement the performance based budgeting system.

The Board has, also, been able to establish a series of working relationships with state agencies to make available greatly needed expertise and resources, including:

- **The Executive Office of Public Safety.** Thanks to the efforts of the Secretary of Public Safety, Edward Flynn, Operation Safe Springfield began on March 19<sup>th</sup> with the addition of 10 state police officers. These officers have been deployed in high crime neighborhoods. The program is funded by \$500,000 in state funds and will continue to run through August. Additionally, over the next two years Springfield will be receiving \$900,000 from the State to fund City police overtime. As part of the Office of Commonwealth Development initiative described below, Secretary Flynn committed additional resources in the targeted neighborhoods.
- **Office of Commonwealth Development.** On June 28th, Douglas Foy, Secretary of Commonwealth Development came to Springfield to announce the OCD -Springfield initiative. There will be a coordinated program of local, state and federal agencies in three neighborhoods surrounding the downtown, providing targeted funding for parks, streets, and neighborhood improvements, totaling over \$20 million in additional state funds.
- **Massachusetts Land Court.** The City is currently owed over \$38 million in back real estate taxes due from approximately 3,000 properties. The City secures payment of these taxes through a lien filed on the property redeemable through foreclosure at the Land Court on the property, if the owner of the property refuses to pay the taxes owed. City officials are working with the Judge Sheier and Land Court Recorder Deborah Patterson to expedite the bureaucratic process and secure payment of these taxes.

- **Other State Agencies.** In addition, the City continues to work with the Department of Revenue in developing the City's financial and information technology strategies, the newly reconstituted School Building Assistance Bureau on Springfield's school construction finance, the Massachusetts Office of Business Development on economic opportunities, and the Division of Capital Asset Management on locating a state data information center in Springfield.

Finally, due to its existing deficit and lack of cash reserves, the City will continue to need to borrow from the Trust Fund. Over the course of the FY 2005, the City borrowed money on multiple occasions – approximately \$100 million - to cover its short-term expenses, predominately to meet payroll expenses. The City will be able to repay most, but not all, of these short-term borrowings with tax revenue and state local aid payments. At the end of FY 2005, the City did not have sufficient funds to repay approximately \$21 million and borrowed that amount from the \$52 million trust fund.

### **Control Board Expenditures**

Details of the expenditures of the Board for the 4<sup>th</sup> quarter 2005 are shown in the table below. This table reflects expenses processed through the Commonwealth's account system.

Personnel Services	\$ 98,816.63
Equipment & Administrative	\$ 44,947.12
Contracted Services	\$ 292,644.19
<b>Total</b>	<b>\$ 436,407.94</b>

While we continue to work on the short-term financial problems of Springfield, in the longer term, the recovery of the City will depend on how successful the City is in improving three areas: public safety, education and economic development. As mentioned above the Board is undertaking institutional changes in each of these areas. The current police chief retired effective June 30<sup>th</sup>. A non-civil service police commissioner and a police advisory committee are replacing the existing police commission. The fire department is currently under review.

The second area, education, is more problematic. The City's schools system is not providing the City's children with the skills needed to be successful in today's economy. Unfortunately, current labor negotiations, while underway, are not making the progress necessary to develop a structure for future success, a system based on merit pay. We continue to work with the School Department staff, union officials, and the teachers themselves towards our common goals, in spite of temporary difficulties.

Economic development, the third area, has been fragmented and unfocused. The City needs to focus on what the future regional and global economy is going to need, and how to best develop the infrastructure to position itself in that marketplace. The Board has begun the process by consolidating the related economic development departments into a single coordinated

Secretary Kriss, Chairperson Murray and Chairperson DeLeo

July 27, 2005

Page 5 of 5

division, begun disposition of foreclosed and underutilized city parcels, established working relationships with local development entities and through an expended partnership with Mass Development expects to be starting a comprehensive approach this fall.

In summary, the long-term outlook rests not with the Board or state government. It rests with the people of Springfield if they become engaged and force change in the areas mentioned.

Sincerely,

A handwritten signature in cursive script that reads "Alan LeBovidge". The signature is written in black ink and is positioned above the printed name and title.

Alan LeBovidge

Chairman

Springfield Finance Control Board

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